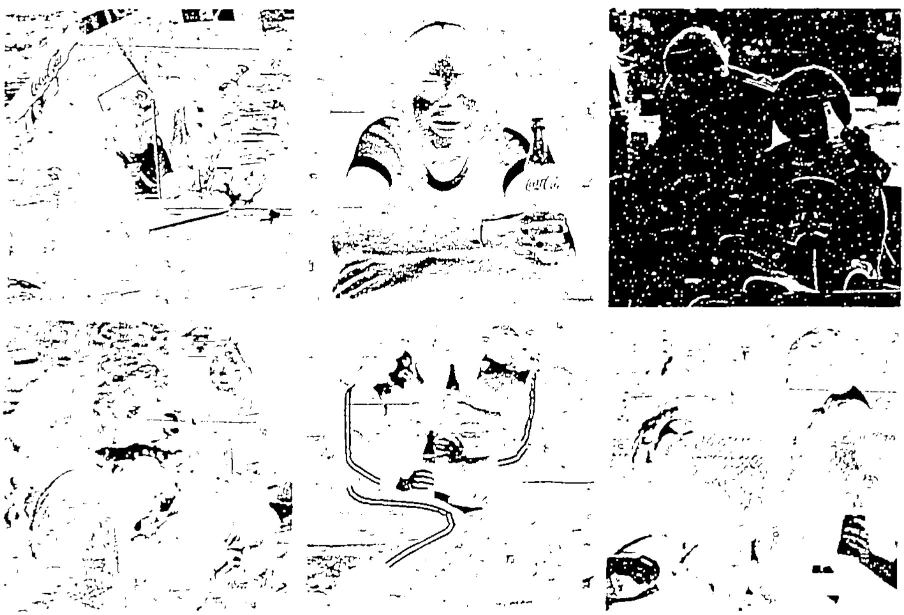
Annual Report 1978 / The Coca-Cola Company



The Coca-Cola Company

310 North Avenue, N.W., Atlanta, Georgia 30313 404/898-2121
Mailing Address: P.O. Drawer 1734, Atlanta, Georgia 30301

Disfrute Coca-Cola MARCA REG.

סימן רשום โคคา-โคลา

Tome Coca-Cola MARCA REG

Enjoy コカ・コーラ

Buvez Coca-Cola MARQUE DÉPOSÉE

請飲 樂可口可

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Απολαύστε Coca-Cola Σήμα Κατατεθεν

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즐기자 코카·콜라

Кока-Кола

Beba Coca-Cola MARCA REG.

可口可乐

Enjoy Coca-Cola Trade mark ®

The following trademarks shown in this report are owned by The Coca-Cola Company or its subsidiaries: Coca-Cola, Coke, TAB, Sprite, Fanta, Mr. PiBB, Mello Yello, Fresca, Kinley, Kin, Lift, Leed, Rosalta, Cappy, Minute Maid, Hi-C, Snow Crop, Butter-nut, Maryland Club, Taylor, Great Western, The Monterey Vineyard, Taylor California Cellars, and Sterling Vineyards.

Financial Highlights
(In millions except per share data)

The Coca-Cola Company
and Subsidiaries

YEAR ENDED DECEMBER 31,	1978	1977*	% Change
Net sales	**$4,337.9**	$3,619.8	19.8%
Income before income taxes	**$ 691.4**	$ 614.9	12.4%
Net income	**$ 374.7**	$ 331.2	13.1%
Net income per share	**$ 3.03**	$ 2.68	13.1%
Dividends per share	**$ 1.74**	$ 1.54	13.0%
Stockholders' equity	**$1,739.6**	$1,578.0	10.2%
% Net income to net sales	**8.6%**	9.1%	
% Net income to stockholders' equity	**21.5%**	21.0%	

*Restated to include the operations of Presto Products, Incorporated, on a pooling of interests basis.

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Letter to Stockholders

In 1978, The Coca-Cola Company sustained its long-term record of progress with sales and income at all-time highs. Consolidated net income in 1978 was $375 million, or $3.03 per share, compared with $331 million, or $2.68 per share in 1977, an increase of 13%. Consolidated net sales in 1978 were more than $4.3 billion, an increase of 20% over 1977.

Gains were primarily due to unit sales gains in all major product lines and markets, and particularly strong unit sales gains in overseas soft drink operations. These gains would not have been possible without the efforts of our 36,000 employees and the continuing support of our bottlers, wholesalers, retailers, suppliers and customers throughout the world.

Total sales and operating income from soft drink operations in 1978 increased by 22% and 13%, respectively, over 1977. Unit soft drink sales in the United States in 1978 were up moderately over 1977, in line with industry growth. Total foreign soft drink unit sales in 1978 were up more than 10%. Strong unit sales gains were reported in Western Europe, Latin America and the Far East, while unit sales in Africa were down slightly.

Total sales and operating income from non-soft drink operations increased by 12% and 20% respectively.

Our citrus operations reported increased sales and income in 1978. Coffee and tea operations reported increased unit sales levels as coffee prices dropped from their 1977 peaks.

Increased sales also were recorded in the Company's wine operations, sparked by expanded marketing spending for traditional and new product lines.

Our Aqua-Chem subsidiary reported record levels of sales and income. In May 1978, Presto Products, Incorporated, with headquarters in Appleton, Wisconsin, was acquired by The Coca-Cola Company in a stock-for-stock transaction. Presto is engaged in the manufacture and distribution of plastic film products for consumers and industry. We welcome Presto's 1,000 employees and 2,200 stockholders to the family of The Coca-Cola Company.

In 1978, operations outside the United States and Puerto Rico accounted for 46% of our consolidated sales and 63% of consolidated operating income. Our foreign sales percentage continues to be lower than our foreign income percentage generally due to the sale of soft drink concentrate overseas as opposed to the sale of soft drink syrup in the United States, and the lower margins for non-soft drink operations which are primarily domestic. In 1978, non-soft drink operations accounted for 24% of total sales and 13% of total income.

During 1978, we announced new business opportunities in potential markets which represent more than one-fourth of the world's population. In March, an agreement was reached with the Soviet Union naming The Coca-Cola Company the official and exclusive soft drink supplier at the 1980 Olympic Games in Moscow, with both Coke and Fanta Orange. The Coca-Cola Company has been the exclusive soft drink supplier for the Olympic Games since 1928. Bottling and distribution of Fanta Orange for the commercial market in Moscow will begin in 1979, with an initial annual capacity of approximately 3 million cases.

Additionally, in December 1978, The Coca-Cola Company was granted the sole privilege of selling cola drinks in the People's Republic of China. Previously, Coca-Cola had

been available in China from 1928 until 1949. Our re-entry into the China market was begun in January 1979 with a shipment of bottled and canned Coca-Cola for distribution in major cities and tourist areas. Shipments will be continued until the construction of bottling and canning facilities in the People's Republic is completed.

In the United States, we have held discussions with our bottlers to address mutual business problems and opportunities, which have led to a proposed amendment to the bottler contract for Coca-Cola. In January 1979, many bottlers implemented an amended contract which provides pricing flexibility to the Company and imposes some additional marketing obligations on the Company.

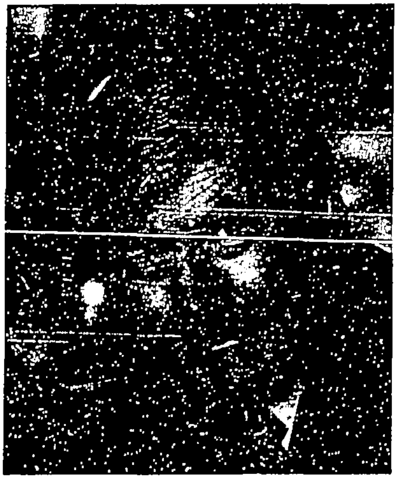
In April 1978, the Federal Trade Commission ruled to restrict to refillable packages the territorial provisions of bottler contracts of The Coca-Cola Company and other soft drink companies, modifying an earlier ruling by an Administrative Law Judge which supported the legal validity and reasonable nature of territorial provisions in bottler contracts. The ruling has been appealed and we will continue to honor and enforce territorial agreements in existing contracts during the appeal process. We continue to believe, as in 1971 when the original complaint was filed by the Federal Trade Commission, that the exclusive territory system provides the most economically efficient and socially desirable means of business operations for the manufacture and sale of soft drinks.

In 1978, the Company reported a record high 21.5% return on year-end stockholders' equity, up from 21% in 1977. Our year-end cash and securities position was $369 million, compared to only $15 million in long-term debt. Capital expenditures of $306 million in 1978 included spending for our current Atlanta office headquarters expansion.

On March 7, 1979, the Board of Directors increased the quarterly dividend rate from 43½¢ per share to 49¢ per share. This rate is equivalent to a full-year dividend of $1.96 per share, a 12.6% increase over the aggregate 1978 dividend of $1.74. This is the 17th consecutive year that the Directors have approved dividend increases.

Our goal is to continue the strong financial growth trends into the future. The Coca-Cola Company is well-positioned to achieve continued growth through product development, packaging innovation and marketing programs that fulfill consumer needs in an industry which enjoys unique opportunities for growth.

To convey a more complete picture of The Coca-Cola Company, we have expanded the format of our annual report this year. Separate reviews of our worldwide soft drink group operations and our non-soft drink operations are included.



J. Paul Austin

Chairman, Board of Directors, and Chief Executive Officer

J. Lucian Smith

President and Chief Operating Officer

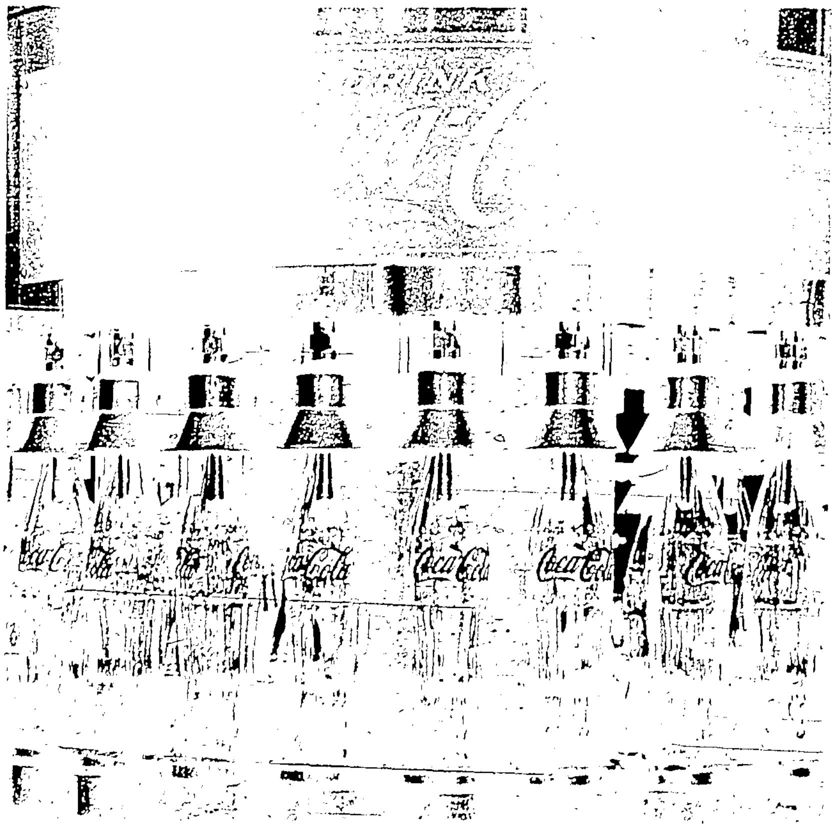
Description of Business of The Coca-Cola Company

The Coca-Cola Company is the largest manufacturer and distributor of soft drink concentrates and syrups in the world. Its product, "Coca-Cola," has been sold in the United States since 1886, is now sold in over 135 countries as well and is the leading soft drink product in most of these countries.

In 1978, soft drink products accounted for 76% of total sales and 87% of total operating income from industry segments. Soft drink products include Coca-Cola, Fanta, Sprite, TAB, Fresca, Mr. PiBB and Hi-C. Brand Coca-Cola accounts for over 70% of all Company soft drink unit sales, both in the United States and overseas.

The worldwide soft drink operations of The Coca-Cola Company are organized into three operating groups: the Americas Group, the Pacific Group and the Europe and Africa Group. The Company's largest markets within its Americas Group are the United States, Mexico and Brazil. The largest markets within the Pacific Group are Japan and Canada. The largest market in the Europe and Africa Group is Germany. In 1978, overseas markets accounted for some 62% of total soft drink unit sales.

In the United States, 67% of soft drink syrup and concentrate is sold to more than 550 bottlers who prepare and sell the products for the food store, vending and other markets for home and on-premise consumption. The remaining 33% is sold to approximately 4,000 authorized wholesalers who in turn sell the syrup to restaurants and other retailers. Overseas, all soft drink concentrate is sold to more than 900 bottlers. Approximately 90% of the syrup and concentrate is sold for further processing outside the Company before sale to the ultimate consumer, both in the United States and overseas. The remaining 10% is converted into consumable soft drinks before being sold by the Company.



Through the Foods Division, the Company manufactures and markets Minute Maid and Snow Crop frozen concentrated citrus juices, Minute Maid chilled juices and related citrus products, and Hi-C ready-to-serve fruit drinks and powdered drink mixes. The Foods Division also markets coffee and tea under the "Maryland Club," "Butter-nut" and other brands, as well as to private label and institutional accounts.

The Company manufactures and markets still and sparkling wines under the trademarks "Taylor," "Great Western," "Sterling Vineyards," "The Monterey Vineyard," and "Taylor California Cellars."

Aqua-Chem, Inc., a subsidiary, designs and manufactures water treatment systems, steam generators, heat exchangers, and other products.

Presto Products, Incorporated, a subsidiary, is engaged in the manufacture and distribution of plastic film products for consumers and industry. Presto was acquired in May 1978.


Coca-Cola
1 LITER SIZE
SUGAR FREE!
TaB
Sprite
Mr. PiBB
Fresca
HiC


Coca-Cola

*Donald R. Keough,
Executive Vice President,
The Coca-Cola Company
and President, Americas Group*

The Americas Group is responsible for soft drink markets in the United States and Latin America. The Group is subdivided into three operating divisions: Coca-Cola USA (headquartered in Atlanta), North Latin America (Mexico City), and South Latin America (Rio de Janeiro).

United States

Coca-Cola USA is the Company's flagship division, accounting for about 38% of its worldwide soft drink unit sales. In marketing, packaging and product innovation, it has been and continues to be the trendsetter for the Coca-Cola business throughout the world.

Coca-Cola and allied products account for over 35% of the highly competitive United States soft drink business. Coca-Cola is the leading brand in each of the three major segments of the business: the home market (primarily grocery stores), the cold bottle/can segment (primarily vending), and the fountain/cup segment (primarily restaurant and fast-food outlets).

As the industry leader, it is our mission to build future growth, and to assure that our products are growing at a satisfactory rate versus the industry as a whole. Moreover, the division seeks to lead growth in every aspect of the business. It is the leader in product development, with the widest range of products to meet the needs of its bottlers, its fountain customers, and most importantly the ultimate consumer. Coca-Cola USA and its bottlers are the leaders in packaging, equipment innovation and in quality assurance.

Sprite is the fastest growing drink in the important lemon-lime category, and Mr. PiBB continues to perform well in the developing spicy cherry flavor category. We offer our bottlers and the consumer the widest flavor range in the low-calorie category, with TAB, TAB Flavors, Fresca, Sugar-Free Sprite, and Sugar-Free Mr. PiBB. In addition, Fanta is the most widely accepted line of flavors in the United States. The new vitamin C-enriched line of Hi-C soft drinks is being offered to bottlers and fountain customers, as is another new product, Mello Yello, a lightly carbonated citrus-flavored drink.

Coca-Cola USA manufactures soft drink syrups and concentrates in 16 production centers, and distributes them to over 550 independently-owned bottling and canning facilities, 17 Company-owned bottling and canning facilities, and to some 4,000 fountain wholesalers. Bottlers of Coca-Cola serve over 1 million retail locations throughout the United States, and fountain wholesalers distribute the Company's products to approximately 200,000 retailers.

Coca-Cola USA provides extensive marketing and promotional support as well as technical assistance to bottlers and wholesalers. Coca-Cola USA and its bottlers maintain strong national and local media advertising programs to support Coca-Cola and allied brands.

In 1978, the Company's soft drink unit sales in the United States advanced moderately over 1977 levels, about in line with industry growth. The best gains were achieved from diet products, particularly TAB, and from sales of all products in the fountain/cup market. The fastest growing consumer packages in 1978 were the 12-oz. can and the new 2-liter plastic bottle.

In the United States, the industry in 1978 grew at a slower rate than its long-term growth trend due to a very cold winter and higher soft drink prices in all three major segments of the business. The higher prices reflected sharply higher sugar costs, as well as higher packaging and other manufacturing and distribution costs, in contrast to the declining sugar costs and moderate packaging cost increases of 1976 and 1977.

Stronger growth is expected in 1979 for both the industry and the Company's products. Coca-Cola USA's business is expected to benefit from more moderate cost and price increases, aggressive marketing programs, continued expansion of plastic packaging as well as sales increases from further market growth of Hi-C soft drinks and Mello Yello.

The demand for diet soft drinks remains strong, despite the Food and Drug Administration's 1977 proposed ban of saccharin, which


Enjoy
Coca-Cola

Congress suspended until mid-1979, pending further study of the issue. We believe the continuing study will show that saccharin-sweetened soft drinks are not only safe for human consumption but, in fact, are beneficial to large segments of the United States population.

The fountain/cup segment accounts for about a third of the Company's unit sales volume in the United States. For several years it has been the fastest growing segment of the industry and the one in which the Company's leadership is strongest. The trends toward active lifestyles and away-from-home eating will continue to benefit this market. Our service and support programs should continue to build Coca-Cola USA's leadership.

In 1978, most of the United States Bottlers of Coca-Cola introduced the 2-liter polyethylene terephthalate (P.E.T.) plastic bottle into their markets. This package offers the consumer the advantage of safety and lightness, and has been well received in all markets. In 1979, the Company and bottlers expect to expand the 2-liter package for allied products and will test a 1-liter plastic bottle in certain markets.

In 1978, advertising and other marketing support for Coca-Cola and allied products was increased significantly to enhance brand awareness as well as to generate continued sales volume growth. These trends are expected to continue in 1979.

Latin America

With a population of over 300 million, growing at almost 3% a year, generally healthy economic trends and a well-established soft drink market and cola sector, Latin America is a significant source of volume and income growth.

In spite of such factors as inflation, devaluations, difficulties with balance of payments and low per capita incomes, the Company's soft drink business has never been healthier.

The Company's products in Latin America are marketed through about 240 bottling plants, most of which are owned and operated by citizens of the countries in which they do business. The Company owns and operates bottling facilities in certain key markets in Argentina, Brazil, Puerto Rico and Venezuela.

The Company's largest operations in Latin America are in Brazil and Mexico. Other large markets are Argentina, Colombia, Puerto Rico, and Venezuela. In addition to Coca-Cola, Fanta flavors are marketed in most of these countries, and, in some, Sprite also is available.

Mexico is one of the few foreign markets where soft drink per capita consumption is over half the United States level. Coca-Cola is by far the leading soft drink, and Fanta the leading orange-flavored soft drink. In spite of a doubling of retail prices during 1976-77 due to inflation and an increased excise tax on soft drinks, Bottlers of Coca-Cola recorded unit sales increases of more than 15% in 1977 and 20% in 1978.

Brazil represents a remarkable story for Coca-Cola. In a country of over 100 million people, of whom half are under 18 years of age, there are now 48 Coca-Cola bottling plants, with new plants and warehouses coming on stream at an accelerating rate. In 1977-78 alone, Bottlers of Coca-Cola in Brazil invested over $90 million in new production facilities to serve a rapidly growing market. The Company-owned Rio de Janeiro operation is the largest soft drink bottling operation in the world. The Company's Brazilian unit sales in 1978 were more than twice their levels in 1974, and five times their levels in 1970. With per capita consumption still at only a fraction of United States levels, continued dramatic volume and income growth in Brazil are expected.

In some markets, principally Brazil and Mexico, the Company also markets nutritional beverages under the brand names "Samson" and "Sanson."

Argentina is a highly-developed soft drink market and an important market for the Company, but unit sales have not increased there for several years because of economic instability. However, moderate unit growth was achieved in 1978 and we expect stronger unit growth in 1979.

The business in Colombia has continued to show impressive sales and profit increases for several years, resulting principally from a strong bottler production and distribution system and continuous packaging innovations.

Packaging in most Latin American markets consists of three re-returnable bottle sizes, usually dominated by the liter package. The trends to cans, convenience packaging, and larger-than-liter sizes have not even begun in most Latin markets. The Company and the Bottlers of Coca-Cola look forward to continued dramatic growth throughout Latin America. During 1978, total unit soft drink sales in Latin America increased by more than 15% over 1977.


MSON
ARTIFICIALLY FLAVORED
ORANGE
SANSON

Europe and Africa Group

Claus M. Halle,
Executive Vice President,
The Coca-Cola Company
and President, Europe and Africa Group

The Europe and Africa Group plans and manages soft drink operations in Europe, Africa and Southwest Asia through six divisions, headquartered in Essen, London, Madrid, Rome, Nairobi and Johannesburg.

Company soft drinks are manufactured and marketed through some 460 bottling plants, most of them owned and operated by citizens of the market country, and through 12 bottling plants and four canning plants owned by The Coca-Cola Company or its subsidiaries.

The largest operation is in Germany, with other significant markets in Austria, Belgium, Great Britain, Holland, Italy and Spain, along with Iran, Kenya and Nigeria. Coca-Cola and Fanta flavors are marketed in all of these countries, and, in most, a variety of other brands and flavors are sold, including Sprite, Lift, Cappy, Rosalta and Kinley.

While some markets, especially in Western Europe, have economies and per capita income levels comparable to those in the United States, soft drink consumption is generally far lower than United States levels. As demand for convenience packaging, extra-large sizes, low-calorie products and away-from-home eating continues to increase in these markets, per capita consumption of soft drinks will continue to grow.

Coca-Cola is the leading soft drink in virtually every market of the Europe and Africa Group—even though many markets are extremely competitive and the cola sector generally represents a smaller share of the total market abroad than it does in the United States. The Company's success in maintaining leadership in this competitive environment is attributable to consistently high product quality, bottlers' efficiency in production and distribution, packaging innovation, and aggressive marketing, promotion and advertising.

Unit soft drink sales in Europe were up more than 10% in 1978 over the previous year, in spite of a relatively cold and rainy summer. The German market outpaced industry growth, as a result of increased merchandising activity and the introduction of the ½-liter package and two low-calorie flavors under the Lift trademark. The 1½-liter P.E.T. package was a factor in the solid gains experienced in Great Britain, and both Britain and Germany added production capacity for the important can sector. In Spain, sales were up substantially over 1977, as bottlers introduced cans and TAB, our first entry into the relatively undeveloped low-calorie sector of the Spanish soft drink market.

Elsewhere, new merchandising techniques and strong promotional activities were instrumental in increasing unit sales despite instances of economic instability in some of the less developed countries. Results were mixed, however, in some African operations. In Nigeria, for example, power cuts and water shortages have impacted on bottling operations, temporarily stalling growth in that booming economy.

The growth experienced in the Europe and Africa Group during 1978, despite heavy competitive pressure and a variety of economic environments, indicates a strong and viable operation with sound potential for future growth.


Coca-Cola
ESPRESSO
Fagylalt


Enjoy
Coca-Cola
Trade-mark ®

Pacific Group

Ian R. Wilson,
Executive Vice President,
The Coca-Cola Company,
and President, Pacific Group

The operating area of the Pacific Group is widespread, from Canada to Bangladesh, encompassing 14 hours of time change, with a population, in the countries where we do business, in excess of 1.5 billion.

The Group operates through four division offices, with headquarters in Hong Kong, Sydney, Tokyo and Toronto. There are 210 bottling and canning plants operating in the Group's territory, most of them owned and operated by citizens of the countries where the Company does business. Twenty-three bottling and canning plants in Canada, one in Australia and one in Japan, are Company owned.

The Group's largest markets are Japan and Canada, with important markets in Australia, Hong Kong, the Philippines, South Korea and Thailand.

Major brands in these countries are Coca-Cola, Fanta and Sprite. In Canada and Japan, a range of fruit juice-based products are marketed under the Hi-C trademark.

In Canada and Australia, the Company sells a number of diet drinks, mainly TAB and Fresca, and produces Lift, Leed and Kin for certain markets.

The Coca-Cola Company has operated in Japan for 22 years, and in that time has established, through its franchised bottlers, a most important market for its products. There are 17 bottling plants in Japan—one Company owned—and the distribution network includes 500 warehouses, 11,500 salesmen, 430,000 vending machines and 485,000 coolers. More than 1 million outlets are serviced by the bottle route system, at least once a week.

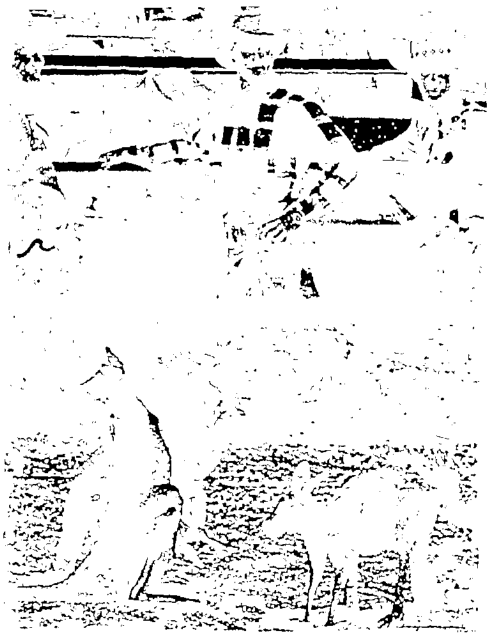
Per capita soft drink consumption in Japan is only about 25% of the present consumption in the United States and considerable opportunity exists for increased sales growth by aggressively developing the home market and increasing the number of outlets in the fast food market.

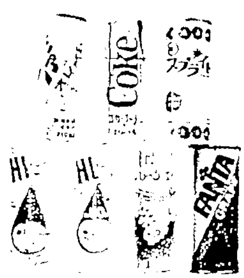
Unit sales volume in Japan exceeded the prior year by more than 20% in 1977 and 10% in 1978.

The Canadian market is similar in many ways to that of the United States, highly developed and highly competitive. Late in 1977, a ban was imposed in Canada on the addition of saccharin to food products. As a result, our diet products had to be reformulated and in 1978, the Company experienced a decline in the diet drink sector. The reduction was partly compensated, however, by a consumer shift to sugar-containing products. Total 1978 unit sales volume in Canada exceeded industry growth.

In the developing markets of the Far East—Indonesia, South Korea, Malaysia, Thailand and the Philippines—the vitality and potential of the marketplace offers great opportunity. Per capita incomes are modest by Western standards, but this factor, plus the growing population of young people, points to an increased consumption of soft drinks. Our business structure is being developed to take advantage of these opportunities.

In 1978, total soft drink unit sales within the Pacific Group exceeded 1977 by more than 10%, in spite of only a modest gain in Canada. In developing markets such as South Korea, Indonesia and Thailand, sales gains were even greater.

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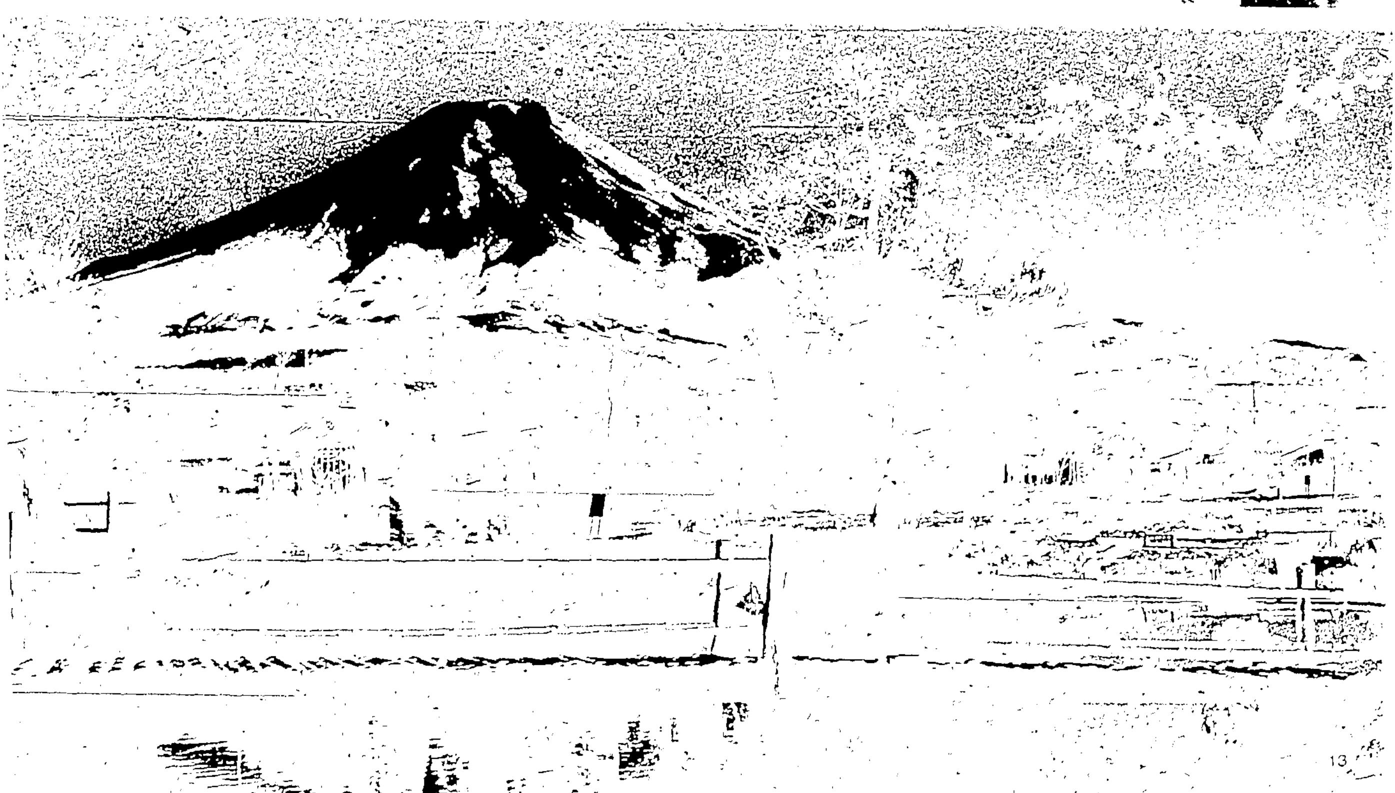
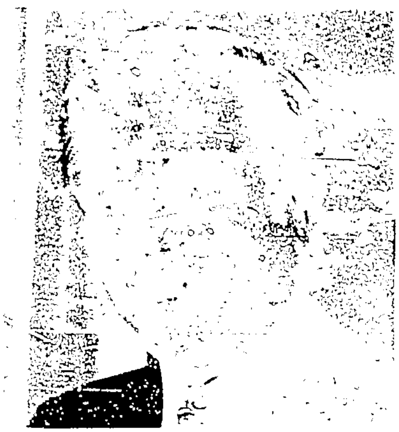


Foods Division



Ira C. Herbert,
Executive Vice President,
The Coca-Cola Company,
and President, Foods Division

The Foods Division of The Coca-Cola Company, headquartered in Houston, manages sales of citrus juices and ades, coffee, tea, and ready-to-serve fruit drinks and powdered drink mixes.

The Foods Division was formed in 1967, combining the operations of the Minute Maid Company and the Duncan Foods Company which had functioned as separate divisions. It now employs 5,000 people in 14 processing centers or facilities located throughout the United States and in Belgium, Brazil, Canada, France, Germany, Great Britain, Guatemala and Mexico.

In the 12 years since it was established, the Foods Division has played an increasingly dynamic role in the financial and technological development of the Company. It is well-positioned to function as a major contributor to further growth in these important areas.

The Minute Maid brand is the leading citrus brand in the United States. Minute Maid chilled, cartoned orange juice has now been introduced in more than 50% of the United States and has become a leading national brand in its category. Minute Maid frozen concentrated orange juice, grapefruit juice, limeade, lemonade, tangerine juice, pineapple juice and Minute Maid frozen lemon juice are all leading national brands in their categories. The Division also markets Snow Crop frozen concentrated orange juice in many major metropolitan markets of the United States.

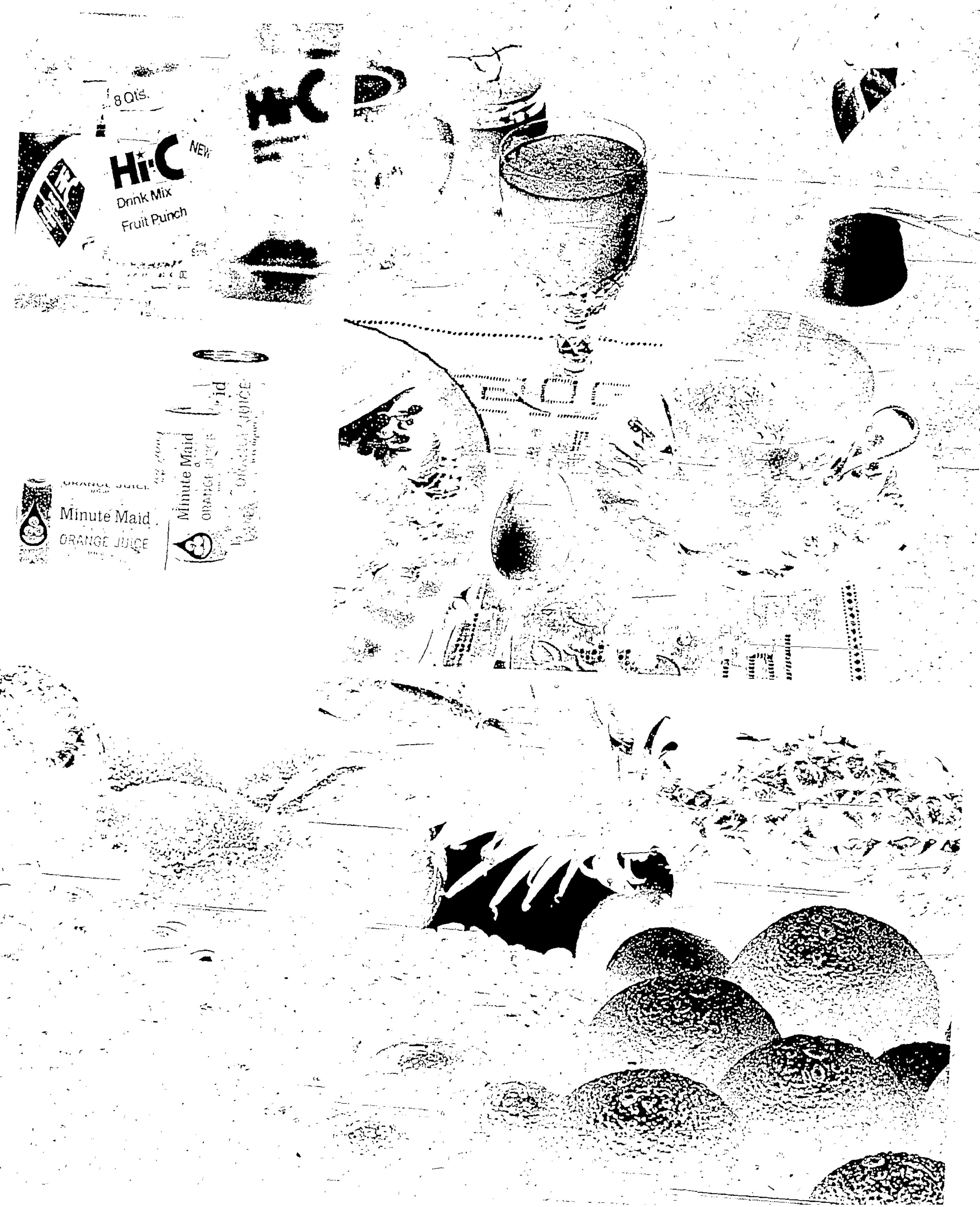
Short supplies and sharply rising costs and prices were experienced during 1977 and 1978 in the citrus industry resulting from the severe freeze in January 1977. In spite of tight supplies and higher prices, continued consumer demand for products of the Foods Division has kept the business strong. Unit sales in frozen products increased slightly in 1977 and 1978, while chilled product sales grew more rapidly.

The Foods Division has recently opened offices in Brussels and Rio de Janeiro as further steps in the expansion of its international citrus business. In addition, a citrus processing venture with a Brazilian firm, Suco Citrico Cutrale, S.A., has been undertaken.

The Foods Division is a regional marketer of coffee and tea. The Butter-nut and Maryland Club brands are major factors in Midwest and Southwest markets, respectively. The Tenco operation is one of the world's largest producers of freeze-dried and instant coffee and tea. Its operations in the United States and abroad produce these products for sale under both Company and private label brand names.

The coffee industry has experienced volatile supply and cost conditions over the last three years. Costs and prices rose sharply in 1976 and early 1977, before peaking in April 1977 and trending downward over the remainder of 1977 and 1978. As a result, unit sales of ground coffee in the United States were down fairly sharply in 1977, but recovered in 1978. Instant and freeze-dried coffee unit sales have been up in both years. With lower pricing in 1979, the Company expects a continued recovery in ground coffee volume.

The Hi-C line of fruit drinks has long been a leader in the fruit drink sector in the United States and its success is likely to continue. This brand contains 10% fruit juice and a day's supply of vitamin C in every 6-oz. serving and is offered in 10 popular flavors. In 1978, unit sales of ready-to-serve Hi-C were up slightly in spite of the introduction nationally of powdered, pre-sweetened Hi-C drink mixes in six flavors and Minute Maid lemonade crystals. These products have achieved wide consumer acceptance in this highly competitive pre-sweetened powder market during the first year. Three more flavors are being added in 1979.


8 Qts.
Hi-C
NEW
Drink Mix
Fruit Punch
Minute Maid
ORANGE JUICE
Minute Maid

Albert E. Killeen,
Executive Vice President,
The Coca-Cola Company,
and Chairman, The Wine Spectrum

The Wine Spectrum is the operating unit responsible for the wine interests of The Coca-Cola Company. Total dollar sales volume of its three winery operations—The Taylor Wine Company, The Monterey Vineyard, and Sterling Vineyards—currently establish it as the fifth largest wine producer in the United States.

The entry of The Coca-Cola Company into the wine business began with the acquisition of The Taylor Wine Company, Inc., of Hammondsport, New York, in January 1977.

The Taylor Wine Company is the largest producer of premium wines in the Eastern United States, marketing products under the Taylor and Great Western brand names. Its winemaking tradition goes back nearly a hundred years, and its wines have won distinction and recognition in the United States and abroad. The Taylor Wine Company is the largest producer of premium domestic champagnes.

In July 1977, the Company acquired Sterling Vineyards of Calistoga, California, a Napa Valley producer of premium varietal wines. Sterling Vineyards' volume is not expected to grow appreciably, except as warranted by the natural maturation of its estate vineyards. Rather, it is anticipated that the excellence of Sterling Vineyards wines will command ever-increasing recognition, respect, and consumer demand.

In November 1977, the Company acquired The Monterey Vineyard in Upper Monterey County, California, which has rapidly established itself as one of the most important new regions in major world viticulture. The Monterey Vineyard winery was built to the most exacting specifications of modern winemaking practice and is centrally located in the heart of the Salinas Valley.

In 1978, the commitment to The Monterey Vineyard's selection of high-quality, vintage varietal wines was continued. At the same time, plans were begun for a significant expansion of the winery's production and storage facilities. Grape supply agreements were also extended, in order to meet the product needs of the future.

In October 1978, The Wine Spectrum introduced Taylor California Cellars, a high-quality wine available in four generic types—Chablis, Rhine, Rose and Burgundy. Following its favorable reception on the East Coast and in Southern California, it is being introduced nationally in 1979.

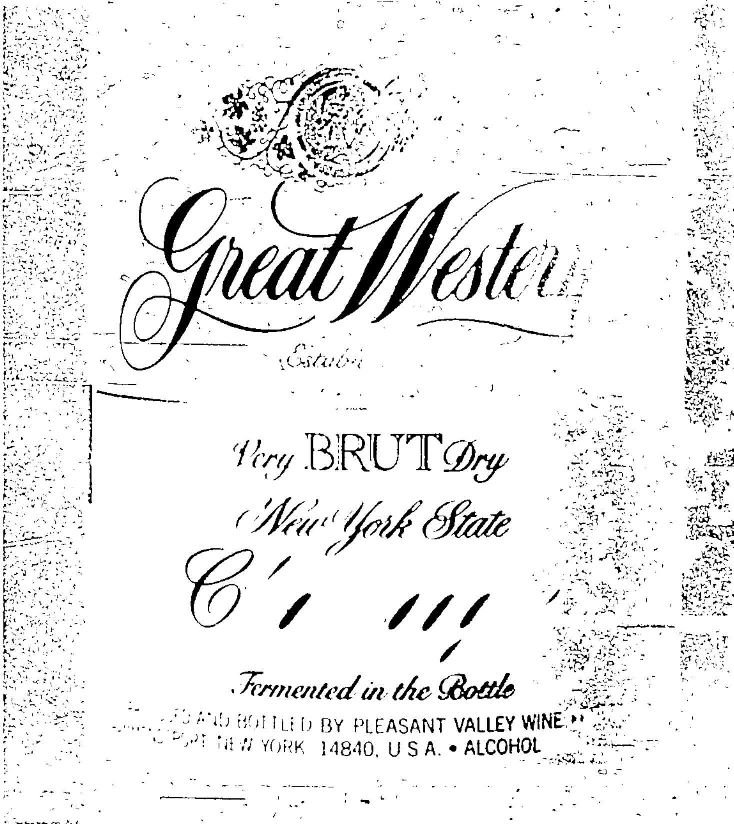
In 1978, the packaging and graphics of existing lines also were upgraded and the organization and operational capabilities were strengthened in both New York and California. In support of key marketing objectives and effective communications to consumers and the trade, the advertising program was increased substantially in 1978.

The United States wine market is expected to grow at a healthy rate in the years ahead; annual growth in table wines alone may surpass 10%. United States wine consumption today is at only 5% to 10% of the per capita levels of many European markets. Production, packaging, marketing, merchandising, advertising and promotional programs are now being developed to take advantage of this unique growth opportunity.

The Wine Spectrum units are attempting to exceed industry growth by following these strategies: (1) establish strong production and distribution bases; (2) develop a balanced industry position with quality products from both coasts of the United States; and (3) employ strong and innovative marketing, merchandising, and advertising programs targeted at both the trade and the consumer.

These strategies have already resulted in a unit sales increase of more than 10% in 1978.


CHEESE
California Cellars
TAYLOR
Burgundy of California


Great Western
Very BRUT Dry
New York State
Fermented in the Bottle


MONTEREY COUNTY
JOHANNISBERG RIESLING
THANKSGIVING HARVEST

John K. Collings, Jr., Executive Vice President, The Coca-Cola Company, and Chairman of the Board, Aqua-Chem, Inc.

Aqua-Chem, Inc., headquartered in Milwaukee with 1,900 employees worldwide, has key manufacturing operations in Milwaukee and Monroe, Wisconsin; Lebanon, Pennsylvania; Greenville, Mississippi; Stratford, Ontario; and Mexico City.

Aqua-Chem's Water Technologies Division develops systems which turn brackish and salt water into potable water and eliminate pollution from industrial effluents (recovering valuable by-products, as well). The division's technicians also work extensively with Company soft drink personnel in the United States and overseas to solve water quality and sourcing problems. Over the last few years, the division's emphasis has shifted away from large land-based desalting units, and toward new water purification and pollution control applications for its technology. Desalting units for marine use remain significant. Universal Water Systems, another subsidiary, is a supplier of water conditioning equipment for residential, commercial and industrial applications.

Aqua-Chem also is involved directly in production and distribution of domestic bottled water for residential, commercial and industrial use through another subsidiary, The Belmont Springs Water Company of Belmont, Massachusetts.

The Cleaver-Brooks Division of Aqua-Chem is known and respected as the nation's leading supplier of packaged steam and hot water generators for virtually every application. Recognized for their clean burning efficiency, these boilers are built at a rate of one every 45 minutes of every working day.

In the light of increased interest in coal and electric power as alternatives to the traditional energy sources of oil and gas, Cleaver-Brooks has introduced a line of electrode boilers, and is developing a coal-powered prototype. It is expected, however, that the bulk of Cleaver-Brooks' sales and income will continue to come from oil and gas-fired boilers with capacities of under 100,000 pounds of steam per hour.

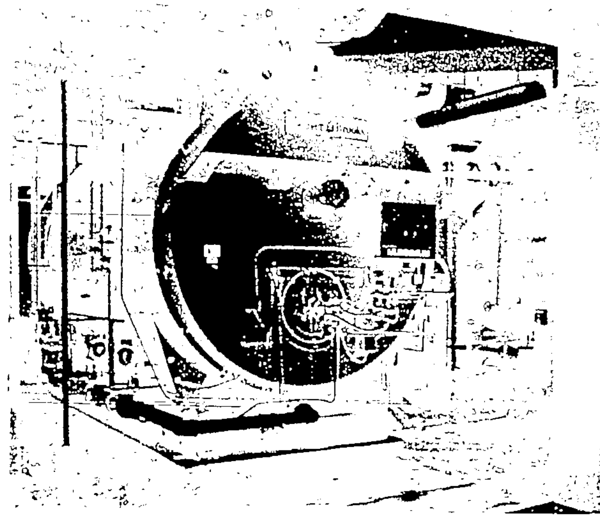
Industrial Combustion, Inc., an Aqua-Chem subsidiary devoted solely to conversion burner manufacturing, is a recognized leader in fuel-burning technology. Able to burn a variety of fuel oils in addition to natural gas, their burners meet the problem of changing fuel supplies.

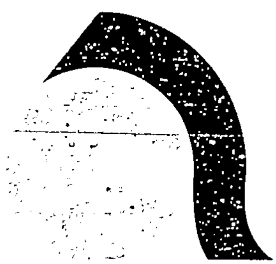
Most of Aqua-Chem's product lines are affected by the business cycle. Nevertheless, long-term sales and profit growth from these product lines have been good.

Aqua-Chem also has a plastics manufacturing subsidiary, producing straws and plastic cutlery, primarily serving the institutional markets. Plants are located in Los Angeles, Houston, Jacksonville, and Ludlow, Massachusetts.

In May 1978, Presto Products, Incorporated, with headquarters in Appleton, Wisconsin, became a subsidiary of The Coca-Cola Company and a part of the Aqua-Chem group. Presto is a leading supplier of blown film products and of disposable plastic bags sold through supermarkets in the United States.

Presto has over 1,000 employees in three modern manufacturing plants. It is the leader in marketing, merchandising, and product innovation in its field. As a result, it has consistently gained share in the markets it serves.





Roberto C. Goizueta,
Executive Vice President,
The Coca-Cola Company

(The following is based on a speech by Mr. Goizueta at the 1978 Annual Meeting of the American Institute of Chemical Engineers, and reflects the Company's commitment to the quality of life in all areas in which it serves.)

The Coca-Cola business is a people-oriented business. Its object is not simply to quench thirst, but also to enhance the quality of life by providing refreshment. An ice cold drink of Coca-Cola is the primary way in which the Company enhances the quality of life for the consumer, but there are other ways, too.

One of the most important ways is the locally based system of franchised Bottlers of Coca-Cola.

Local Ownership Stressed

Most bottling plants for Coca-Cola are financed with local capital and owned and managed by citizens of the communities in which they are located. As a result, the Coca-Cola business is always an integral part of the local economy.

The major portion of profits from the sale of Coca-Cola remains in the local community and contributes to the local tax base.

In addition, the presence of a manufacturing plant for Coca-Cola in the community creates needs which help spawn a whole family of satellite industries—wholly new local industries that did not exist before. The Coca-Cola Company provides the technology and the know-how for start-up of a new plant and then provides support in engineering, quality control and other important areas which help to create and maintain a healthy locally-based industry.

In some less developed countries, setting up a bottling plant means virtually creating a system of local suppliers—putting into business everything from construction firms to build the plant to truck service garages to glass manufacturing plants. Mechanics and salesmen must be trained, and in many cases local craftsmen must be recruited to set up plants to make cases for bottles.

A glass plant set in motion to produce bottles for Coca-Cola may also eventually produce bottles for milk, medicine and many other products that make contributions to the local economy.

These are not isolated examples. They are part of a pattern of stimulating local economies and generating capital and profits as well as important technology at the local level.

Typically, the Bottler of Coca-Cola is a cornerstone of his community and a citizen who helps enrich community life in a variety of ways. So, local ownership wherever possible is at the foundation of our Company's commitment to improve the quality of life all over the world.

But it is only one of four important goals to which the Company is committed. The second has to do with technology.

Over the years, international business has changed from a simple flow of goods to a complex and inter-related flow of ideas. This change carries with it a corporate obligation to continually develop new techniques and new technologies that will solve specific problems and provide definite advantages for developing nations.

Transfer of Technology

In the Coca-Cola business, the acquisition and transmission of technology is critical to maintaining consistently high quality for our products. Increasingly, we also have found that in addition to supporting the products, these technologies can be broadened to apply to many problems faced by developing nations.

For example, pure water is a scarce resource. It is especially precious where populations are most dense and where economic development is lagging.

Through our subsidiary, Aqua-Chem, Inc., we have the means available to provide pure water not only for the production of Coca-Cola, but for other uses as well. Aqua-Chem's pioneering efforts in removing salts and contaminants from water have dramatically cut costs and moved these processes from the laboratory to practical field operations. Today, many of the world's desalination plants use technology developed through Aqua-Chem.

The Coca-Cola Company's expertise in the citrus business is

transferable to many different environments, and can be applied to help a host nation meet both simple and complex national food priorities. For a number of years the Company has co-sponsored a technical research program relating to environmental farming at the University of Arizona. Pilot operations there have now made it possible for the government of Abu Dhabi, in the Persian Gulf area, to harvest vegetables from what had been wastelands.

Still another farming venture, this one involving the sea, holds great promise in food supply technology. Company researchers, working with scientists from the University of Arizona and the University of Sonora in Mexico, are developing new ways of increasing the yield of the seas' harvests. By bringing shrimp to controlled environmental structures on the shore, it may be possible to increase productivity and supplement the natural harvest.

Through our Foods Division's citrus operations in Florida, the Company has pioneered efforts to grow oranges on reclaimed swamp land. This has the twofold effect of greatly increasing our knowledge of ways to reclaim land and adding thousands of productive acres to our holdings. The Company is also a leader in the development of techniques to process oranges into frozen and packaged concentrates, and of the processing of citrus by-products into cattle feed, molasses and flavor essences.

Tenco, a part of the Foods Division, has developed an extract of coffee which is freeze-concentrated and distributed frozen. While its flavor compares very well with that of fresh-brewed coffee, its broader significance is in the fact that the technology can be used for the production and processing of other natural and prepared foods.

Over the past 10 years, the Company has acquired both scientific and practical expertise in the development of nutritional beverages containing proteins, vitamins and minerals to help alleviate malnutrition. Several beverage products have been developed and test marketed. Aqua-Chem has been responsible for developing technology for recovering high-quality proteins from cheese whey, and this technology is being used in an extensive research program coordinated by the Company in collaboration with the Ministry of Meat and Dairy Industry of the Soviet Union.

Sharing technologies with nations in which we do business is a matter of conscience as well as a good business practice. Wherever possible, The Coca-Cola Company attempts to help host nations solve scientific and economic problems through its technological expertise.

Maintain World Perspective

The third goal is one that increases in direct proportion to the size of the Company and the complexity of the world. It is the need to maintain a world perspective.

Interdependence is the new imperative on the international scene. The board of directors of a corporation doing business internationally must assess the total, long-range impact before making a decision which affects an operating unit in a distant part of the world.

A decision to move a bottling plant, for example, is much more than a simple business decision. It has profound effects on the people who work in the plant, the local government with jurisdiction over the plant, the businesses that surround it, and the environment itself. Because great cultural stresses can be produced in the day-to-day operation of a business, The Coca-Cola Company believes each decision must be measured very carefully in terms of possible impact.

International Harmony

The fourth goal involves the awareness of the contributions our Company, along with other companies, can make toward relaxing world tensions.

In this age of advanced communications and of a global energy problem, as well as the threat of worldwide shortages of other critical resources, nothing can be solved by one nation or one company alone. The expansion of business operations to a full international level offers us the means and the opportunity to improve the world economy by improving local economies, to break down barriers between peoples, ease tensions among countries, and create at least part of a foundation for a lasting peace.

The Coca-Cola Company has the organization, the technologies, the incentive and the opportunity to help enhance the quality of life all over the world. Directly and through its subsidiaries and the multi-local confederation of independent bottlers, it is committed to do so.

Ten-Year Financial Summary(a)

(In thousands except per share data)

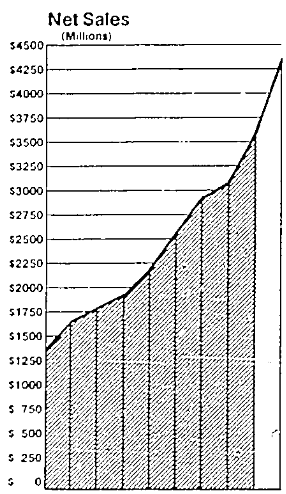
YEAR ENDED DECEMBER 31,	**1978**	1977	1976
Net sales	**$4,337,917**	$3,619,835	$3,146,007
Gross profit	**1,899,729**	1,566,151	1,376,891
Income before income taxes (d)	**691,396**	614,900	552,165
Provision for income taxes	**316,704**	283,737	258,035
Net income (d)	**$ 374,692**	$ 331,163	$ 294,130
Average common shares outstanding (c)	**123,503**	123,464	123,418
Net income per share (c) (d)	**$ 3.03**	$ 2.68	$ 2.38
Dividends per share (c) (e)	**1.74**	1.54	1.325
Year-end stockholders' equity (d)	**$1,739,610**	$1,578,034	$1,434,555
Year-end cash and securities	**369,317**	417,982	402,850
Year-end long-term debt	**15,232**	15,303	10,762
% Net income to net sales	**8.6%**	9.1%	9.3%
% Net income to stockholders' equity	**21.5%**	21.0%	20.5%
Capital expenditures	**$ 306,022**	$ 264,368	$ 190,607
Depreciation	**94,024**	82,459	72,377

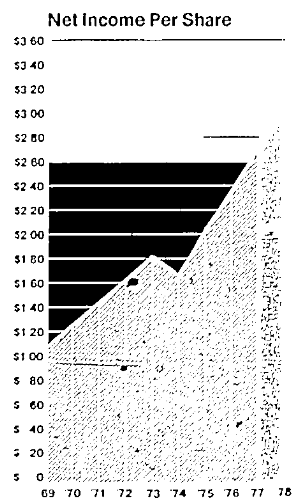
Notes:

(a) Includes results for Presto Products, Incorporated, The Taylor Wine Company, Inc. and Aqua-Chem, Inc. which were combined with the Company in transactions accounted for as poolings of interests in 1978, 1977 and 1970, respectively. Combined results for years prior to 1977 include results of Presto for its fiscal years ended September 30. Combined results for years prior to 1976 include results of Taylor for its fiscal years ended June 30.

(b) In 1974, the Company adopted the last-in, first-out (LIFO) accounting method for certain major categories of inventories. This accounting change had the effect of reducing net income in 1974 by $31.2 million ($.25 per share).

(c) Adjusted for a two-for-one stock split in 1977.

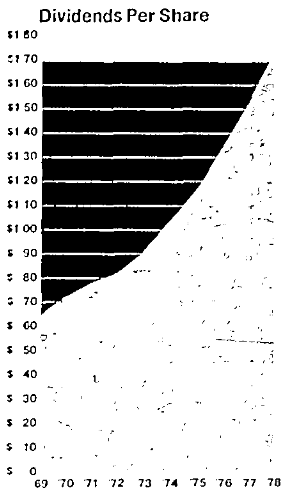


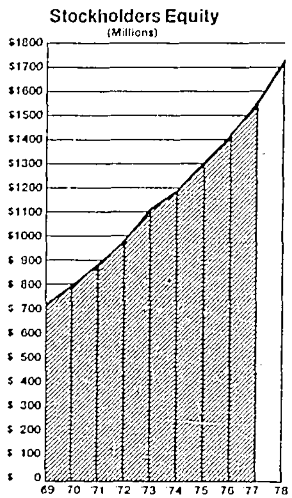


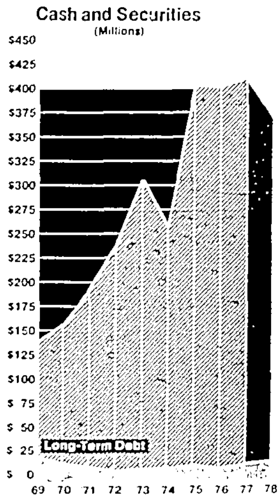
1975	1974	1973	1972	1971	1970	1969
$2,979,350	$2,613,704	$2,226,072	$1,945,177	$1,785,041	$1,654,988	$1,461,235
1,198,731	1,011,244	1,027,775	909,679	825,930	747,295	670,246
479,330	379,983	419,479	379,352	340,342	301,660	272,566
230,545	176,209	195,732	180,946	166,165	149,584	137,941
$ 248,785	$ 203,774(b)	$ 223,747	$ 198,406	$ 174,177	$ 152,076	$ 134,625
123,356	123,247	123,130	122,832	122,603	122,084	121,509
$ 2.02	$ 1.65(b)	$ 1.82	$ 1.62	$ 1.42	$ 1.25	$ 1.11
1.15	1.04	.90	.82	.79	.72	.66
$1,302,135	$1,189,888	$1,109,128	$ 990,860	$ 884,799	$ 787,781	$ 713,072
409,190	260,105	308,054	241,029	195,155	152,522	144,858
15,777	11,862	8,317	7,123	11,404	16,988	22,809
8.4%	7.8%	10.1%	10.2%	9.8%	9.2%	9.2%
19.1%	17.1%	20.2%	20.0%	19.7%	19.3%	18.9%
$ 145,320	$ 153,720	$ 126,874	$ 119,152	$ 103,405	$ 111,238	$ 115,633
69,123	61,823	61,017	57,642	54,185	49,926	44,285

(d) 1969 has been restated to eliminate the provision for unremitted foreign earnings This restatement had the effect of increasing net income for 1969 by $6.2 million ($.05 per share).

(e) Dividends per share are presented on a historical basis without giving effect to dividends paid by pooled companies.







Management's Discussion and Analysis of the Summary of Operations

Net sales in 1978 increased by $718 million or 19.8% over 1977, following a gain of $474 million or 15.1% in 1977.

Net sales of soft drinks increased by 22.4% in 1978 and by 11.8% in 1977. Gains in both years reflect increased unit sales, while the 1978 gain also reflects higher domestic syrup prices due to higher sugar prices and the introduction nationally of Hi-C powdered drink mixes and Minute Maid lemonade crystals.

Net sales of the Company's other industry segments increased by 12.4% in 1978 and by 25.8% in 1977. The 1978 gain was due principally to higher unit sales in all product categories and higher selling prices for citrus and wine products, partially offset by lower coffee prices. The 1977 gain was due principally to higher selling prices of citrus and coffee products, partially offset by lower coffee volume.

Cost of goods sold in 1978 increased by $385 million or 18.7% over 1977, following a gain of $285 million or 16.1% in 1977. The 1978 increase was due to higher unit sales in all product categories and higher raw material costs, principally sugar, citrus, and grapes, partially offset by lower coffee costs. The 1977 increase was due to increased unit sales in all product categories except coffee, and to sharply higher citrus and coffee costs, partially offset by lower coffee volume.

Selling, administrative, and general expenses increased by 26.8% in 1978, following a 14.4% gain in 1977. The increase in both years reflect expanded marketing programs, increased levels of general business activity, and the effects of inflation. Media advertising expenditures totaled $270 million in 1978, up from $184 million in 1977 and $169 million in 1976. The 1978 increase was due to increased advertising of soft drinks in the United States and overseas markets, the introduction nationally of Hi-C powdered drink mixes and Minute Maid lemonade crystals and increased spending related to the Company's wine products. Taxes other than income taxes totaled $77 million in 1978, up from $63 million in 1977, and $51 million in 1976. The increases are due principally to higher payroll taxes and increased general taxes.

Income before income taxes increased by 12.4% in 1978 and 11.4% in 1977. Income from soft drinks increased in both years, principally as a result of increased unit volume. Income from citrus, foreign coffee operations, and the Company's Aqua-Chem and Presto subsidiaries also increased in both years. Income from domestic coffee operations declined in 1978 due to lower selling prices and in 1977 due to lower volume. Income from wine operations declined in both years due to increased marketing expenditures.

Provision for income taxes increased by $33 million or 11.6% in 1978 and by $26 million or 10% in 1977. The increases are due to an increase in income before income taxes, partially offset by $2.4 million in 1978 and $3.6 million in 1977 due to decreases in the average effective income tax rate.

Net income increased by $43 million or 13.1% in 1978, following an increase of $37 million or 12.6% in 1977.

Capital expenditures for additions to property, plant and equipment totaled $306 million in 1978, up from $264 million in 1977 and $191 million in 1976. These increases reflect the replacement and expansion of facilities to meet the needs of the Company's expanding business, a high level of spending related to the Atlanta office headquarters expansion and increased capacity of the Company's wine operations. As a result of increased capital expenditures over the past several years, depreciation and amortization of property, plant and equipment totaled $95 million in 1978, up from $83 million in 1977 and $73 million in 1976. Maintenance and repairs totaled $62 million in 1978, up from $51 million in 1977 and $44 million in 1976, reflecting the increased cost of maintaining additional facilities.

Total cash and marketable securities were $369 million in 1978, down from $418 million in 1977 and $403 million in 1976. The decrease is due principally to capital spending related to the Atlanta office headquarters expansion and the expansion of wine operations.

Cash Dividends

Cash dividends per share were paid on common stock as follows.

	1978	1977
First quarter	**$ .435**	$ .385
Second quarter	**.435**	385
Third quarter	**.435**	385
Fourth quarter	**.435**	.385
Full year	**$1.74**	$1.54

Stock Market Information

The common stock of the Company is traded on the New York Stock Exchange, Inc. The high and low prices of each quarter for the past two years are as follows (adjusted for the two-for-one stock split in May 1977):

	1978		1977	
	High	Low	High	Low
First quarter	**$39.50**	$35 125	**$40.125**	$36 50
Second quarter	**45.00**	37.375	**39.875**	35 875
Third quarter	**47.25**	40 625	**40.875**	37.00
Fourth quarter	**45.875**	39 75	**40.25**	35 50

Financial Statements

The Coca-Cola Company
and Subsidiaries

Consolidated Statements of Income

(In thousands except per share data)

YEAR ENDED DECEMBER 31,	1978	1977
Net sales	$4,337,917	$3,619,835
Cost of goods sold	2,438,188	2,053,684
GROSS PROFIT	1,899,729	1,566,151
Selling, administrative and general expenses	1,221,643	963,409
OPERATING INCOME	678,086	602,742
Other income	54,632	42,989
	732,718	645,731
Less other deductions	41,322	30,831
INCOME BEFORE INCOME TAXES	691,396	614,900
Provision for taxes on income	316,704	283,737
NET INCOME	$ 374,692	$ 331,163
Net income per share of common stock	$ 3.03	$ 2.68

Consolidated Statements of Retained Earnings

(In thousands except per share data)

YEAR ENDED DECEMBER 31,	1978	1977
Balance at January 1:		
The Coca-Cola Company and Subsidiaries	$1,421,356	$1,266,268
Presto Products, Incorporated		13,049
Adjusted balance at January 1		1,279,317
Net income for the year	374,692	331,163
Dividends paid in cash:		
The Coca-Cola Company (per share-1978, $1.74; 1977, $1.54)	214,344	188,170
Presto Products, Incorporated, prior to combination	298	954
BALANCE AT DECEMBER 31	$1,581,406	$1,421,356

See Notes to Consolidated Financial Statements.

Consolidated Balance Sheets

(In thousands except share data)

Assets	December 31, 1978	1977
CURRENT:		
Cash	$ 156,151	$ 149,371
Marketable securities—at cost (approximates market)	165,340	200,219
Trade accounts receivable (less allowance—1978, $7,736; 1977, $7,479)	338,291	279,851
Inventories	538,261	441,514
Prepaid expenses	38,519	32,563
TOTAL CURRENT ASSETS	1,236,562	1,103,518
MARKETABLE SECURITIES—at cost (approximates market)	47,826	68,392
MISCELLANEOUS INVESTMENTS AND OTHER ASSETS	132,018	95,175
PROPERTY, PLANT AND EQUIPMENT:		
Land and improvements	85,051	82,506
Buildings	461,367	402,792
Machinery and equipment	894,315	756,180
Containers	228,327	185,666
	1,669,060	1,427,144
Less allowance for depreciation	604,086	540,077
	1,064,974	887,067
FORMULAE, TRADE-MARKS, GOODWILL AND CONTRACT RIGHTS	101,429	100,338
	$2,582,809	$2,254,490

Liabilities and Stockholders' Equity	1978	1977
CURRENT:		
Notes payable	$ 48,243	$ 37,281
Current maturities of long-term debt	5,667	4,720
Accounts payable and accrued accounts	510,032	396,273
Accrued taxes—including taxes on income	180,103	158,026
TOTAL CURRENT LIABILITIES	744,045	596,300
LONG-TERM DEBT	15,231	15,303
DEFERRED INCOME TAXES	83,923	64,853
STOCKHOLDERS' EQUITY:		
Common stock—no par value; authorized 140,000,000 shares; (issued: 1978, 123,924,852 shares; 1977, 123,874,740 shares)	62,340	62,315
Capital surplus	111,217	109,716
Retained earnings	1,581,406	1,421,356
	1,754,963	1,593,387
Less 401,338 shares of stock held in treasury—at cost	15,353	15,353
	1,739,610	1,578,034
	$2,582,809	$2,254,490

See Notes to Consolidated Financial Statements

Consolidated Statements of Changes in Financial Position

(In thousands)

The Coca-Cola Company and Subsidiaries

YEAR ENDED DECEMBER 31,	1978	1977
SOURCE OF WORKING CAPITAL		
From operations:		
Net income for the year	$374,692	$331,163
Add charges not requiring outlay of working capital during the year:		
Provision for depreciation	94,024	82,459
Deferred income taxes	19,070	17,607
Other	19,549	21,279
TOTAL FROM OPERATIONS	507,335	452,508
Increase in long-term debt	0	5,905
Decrease in marketable securities—non-current	20,566	0
Disposals of property, plant and equipment	17,127	16,784
Proceeds from exercise of stock options	1,228	910
Tax benefit from optioned shares sold	318	154
	546,574	476,261
APPLICATION OF WORKING CAPITAL		
Cash dividends		
The Coca-Cola Company	214,344	188,170
Presto Products, Incorporated	298	954
Additions to property, plant and equipment	306,022	264,368
Increase in marketable securities—non-current	0	30,151
Increase in miscellaneous investments	36,843	2,029
Decrease in long-term debt	72	0
Other	3,696	9,815
	561,275	495,487
INCREASE (DECREASE) IN WORKING CAPITAL	(14,701)	(19,226)
Working capital at beginning of year	507,218	526,444
WORKING CAPITAL AT END OF YEAR	$492,517	$507,218
INCREASE (DECREASE) IN WORKING CAPITAL BY COMPONENT		
Cash	$ 6,780	$ 45,846
Marketable securities	(34,879)	(60,246)
Trade accounts receivable	58,440	38,660
Inventories	96,747	36,789
Prepaid expenses	5,956	2,476
Notes payable	(10,962)	(1,647)
Current maturities of long-term debt	(947)	532
Accounts payable and accrued accounts	(113,759)	(56,199)
Accrued taxes—including taxes on income	(22,077)	(25,437)
INCREASE (DECREASE) IN WORKING CAPITAL	$(14,701)	$ (19,226)

See Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements

1. Accounting Policies. The major accounting policies and practices followed by the Company and its subsidiaries are as follows:

The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. All significant inter-company accounts and transactions are eliminated in consolidation.

Inventories are valued at the lower of cost or market. The last-in, first-out (LIFO) method of inventory valuation is used for sugar and other sweeteners used in domestic beverages, for certain major citrus concentrate products, and for substantially all inventories of domestic bottling subsidiaries, wine products and certain other domestic and foreign operations. All other inventories are valued on the average or first-in, first-out method. The excess of current costs over LIFO stated values amounted to approximately $46,000,000 and $28,000,000 at December 31, 1978 and 1977, respectively.

Property, plant and equipment is stated at cost, less allowance for depreciation, except that foreign subsidiaries carry bottles and shells in service at amounts (less than cost) which, in general, correspond with deposit prices obtained from customers. Depreciation expense was principally determined by the straight-line method. A portion of the depreciation determined by the straight-line method for financial statement purposes is calculated on accelerated methods for income tax purposes. Deferred income taxes are provided to recognize timing differences in reporting depreciation for accounting and tax purposes. The investment tax credit, which is not material in amount, is accounted for by the flow-through method.

Formulae, trade-marks, goodwill and contract rights are stated on the basis of cost and if purchased subsequent to October 31, 1970, are being amortized, principally on a straight-line basis, over the estimated future periods to be benefited (not exceeding 40 years).

2. Acquisitions. In January 1977 the Company issued 2,322,000 shares of its common stock for all of the outstanding common stock of The Taylor Wine Company, Inc. in a transaction accounted for as a pooling of interests.

Also in 1977 the Company acquired Sterling Vineyards and Gonzales & Co., Inc. (The Monterey Vineyard) which operate wineries. These acquisitions were accounted for as purchase transactions and had no significant effect on operations in 1977.

In May 1978 the Company issued 1,275,000 shares of its common stock for all of the outstanding common stock of Presto Products, Incorporated in a transaction accounted for as a pooling of interests. Accordingly, financial statements for 1977 and prior years have been restated to include the accounts of Presto. Net sales and net income for 1977, as previously reported for the Company, were $3,559,878,000 and $326,220,000, respectively and for Presto were $59,957,000 and $4,943,000, respectively.

3. Foreign Operations. The Company's identifiable assets and liabilities outside the United States and Puerto Rico are shown below (in thousands):

	DECEMBER 31,	
	1978	1977
Current assets	$ 580,058	$ 459,678
Property, plant and equipment—net	424,433	357,054
Other assets	88,519	66,321
	1,093,010	883,053
Liabilities	479,323	370,413
Net assets	$ 613,687	$ 512,640

Appropriate United States and foreign income taxes have been accrued on earnings of subsidiary companies which are expected to be remitted to the Parent Company in the near future. Unremitted earnings of foreign subsidiaries which are expected to be required for use in the foreign operations amounted to approximately $52,000,000 at December 31, 1978, exclusive of amounts which if remitted would result in little or no tax. Exchange adjustments were not material in amount in either year.

4. Stock Options. Options were held by officers and employees of the Company and its subsidiaries to purchase shares of the Company's common stock at prices ranging from $9.09 to $67.91 per share in both 1978 and 1977. Further information relating to the options is as follows:

	1978	1977
Options outstanding at January 1	1,112,830	1,000,249
Options granted during the year	111,120	360,875
Options exercised during the year	(50,112)	(39,602)
Options cancelled during the year	(20,240)	(208,692)
Options outstanding at December 31	1,153,598	1,112,830
Options exercisable at December 31	610,275	393,015
Shares available for options which may be granted	19,644	115,271

5. Pension Plans. The Company and its subsidiaries have various pension plans covering substantially all domestic employees and certain employees in foreign countries. Pension expense determined under various actuarial cost methods, principally aggregate level cost method, amounted to $27,521,000 in 1978 and $25,057,000 in 1977. In general, pension costs are funded when accrued. The amount of unfunded past service costs is not significant.

6. Changes in Capital during 1977 and 1978 are as follows (in thousands):

	Common Stock Issued Shares	Common Stock Issued Amount	Capital Surplus
Balance January 1, 1977	122,574	$61,664	$105,964
Stock issued in acquisition of Presto Products, Incorporated.	1,262	631	3,011
Balance January 1, 1977, after giving effect to merger	123,836	62,295	108,975
Sale of stock to employees exercising stock options	39	20	879
Tax benefit from sale of option shares by employees			154
Non-recurring expenses of 2 for 1 stock split			(292)
Balance December 31, 1977	123,875	62,315	109,716
Sale of stock to employees exercising stock options	50	25	1,203
Tax benefit from sale of option shares by employees			318
Cash in lieu of fractional shares—Presto merger			(20)
Balance December 31, 1978	123,925	$62,340	$111,217

7. Impact of Inflation (Unaudited). The Company's annual report on Form 10-K contains specific information with respect to 1978 and 1977 replacement cost of inventories and productive capacity, and the approximate effect which replacement cost would have had on the computation of cost of sales and depreciation expense for the year. The costs of raw materials for citrus products and the cost of sugar used in soft drinks in 1978, were moderately higher than in the prior year while the cost of coffee was down sharply. Historically, the Company has compensated for changes in production costs by adjusting selling prices.

Replacing items of plant and equipment with assets having equivalent productive capacity has usually required a greater capital investment than was required to purchase the assets which are being replaced. The additional capital investment principally reflects the cumulative impact of inflation on the long-lived nature of these assets.

8. Quarterly Results of Operations (Unaudited). The following is a tabulation of the unaudited quarterly results of operations for the years ended December 31, 1978 and 1977 (in thousands except per share data):

	1978*	1977*
Net sales		
First quarter	$ 908,169	$ 799,194
Second quarter	1,164,865	960,167
Third quarter	1,191,481	965,689
Fourth quarter	1,073,402	894,785
	$4,337,917	$3,619,835
Gross profit:		
First quarter	$ 383,826	$ 337,431
Second quarter	517,575	429,367
Third quarter	529,122	434,274
Fourth quarter	469,206	365,079
	$1,899,729	$1,566,151
Net income:		
First quarter	$ 75,149	$ 66,787
Second quarter	109,758	97,137
Third quarter	107,242	94,802
Fourth quarter	82,543	72,437
	$ 374,692	$ 331,163
Net income per share:		
First quarter	$ .61	$ .54
Second quarter	.89	.79
Third quarter	87	77
Fourth quarter	.66	.58
	$3 03	$2 68

*Quarterly results for 1977 and the first quarter of 1978 have been restated to include the operations of Presto Products, Incorporated, on a pooling of interests basis.

9. Industry and Geographic Segment Data. The industry and geographic data for 1978 and 1977 presented on pages 32 and 33 are an integral part of these financial statements and should be read in conjunction with this note.

Report of Independent Accountants

To Directors and Stockholders
The Coca-Cola Company
Atlanta, Georgia

We have examined the consolidated balance sheets of The Coca-Cola Company and subsidiaries as of December 31, 1978 and 1977 and the related consolidated statements of income, retained earnings and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of The Coca-Cola Company and subsidiaries at December 31, 1978 and 1977 and the consolidated results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

E&E

Atlanta, Georgia
February 28, 1979

Industry Segments

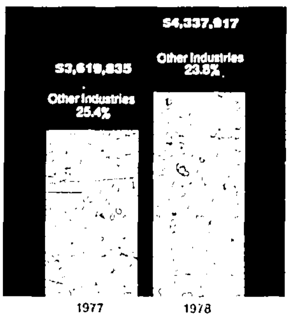
The Company operates principally in the soft drink industry. Citrus, coffee, tea, wine, water treatment equipment, heating equipment and plastic film products are included in other industries. Intersegment transfers are not material. Information concerning operations in different industries is as follows (in thousands):

	YEAR ENDED DECEMBER 31,	
	1978	1977*
Net sales:		
Soft drinks	$3,306,205	$2,701,741
Other industries	1,031,712	918,094
Total net sales	$4,337,917	$3,619,835
Operating income from industry segments:		
Soft drinks	$ 633,651	$ 562,154
Other industries	98,466	82,072
Total from industry segments	732,117	644,226
Other income, net of other deductions	559	4,759
General expenses	(41,280)	(34,085)
Income before income taxes	$ 691,396	$ 614,900
Identifiable assets at year-end:		
Soft drinks	$1,806,914	$1,518,820
Other industries	522,153	454,567
Total by industry segments	2,329,067	1,973,387
Corporate assets (principally cash, marketable securities and fixed assets)	253,742	281,103
Total assets at year-end	$2,582,809	$2,254,490
Capital expenditures by industry segment:		
Soft drinks	$ 241,670	$ 187,235
Other industries	31,879	52,063
Depreciation and amortization by industry segment:		
Soft drinks	$ 75,803	$ 65,381
Other industries	17,492	16,395

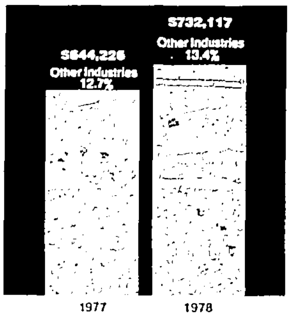
*Restated to include the operations of Presto Products, Incorporated, on a pooling of interests basis.

Note: Soft drink products accounted for 77% of total sales in 1976 and 79% in each of the preceding two years. Soft drink products accounted for 87% of total operating income from industry segments in 1976 and in each of the preceding two years.

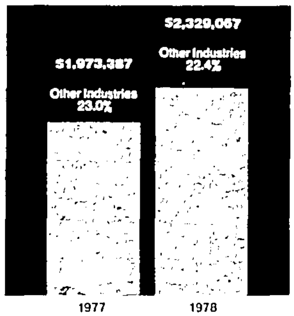
Net Sales (in thousands)



Operating Income (in thousands)



Assets (in thousands)



1977—1978 Data by Industry Segment ■ Soft Drink □ Other Industries

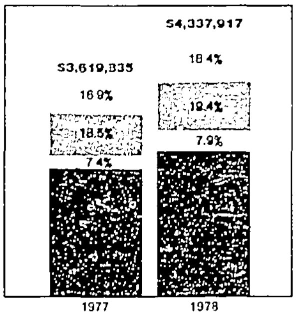
Operations in Geographic Areas

Information about the Company's operations in different geographic areas is presented below (in thousands). Neither Africa nor Canada are significant geographic areas as defined by FASB 14 and, therefore, have been grouped in accordance with the Company's management organizational structure. Inter-company transfers between geographic areas are not material.

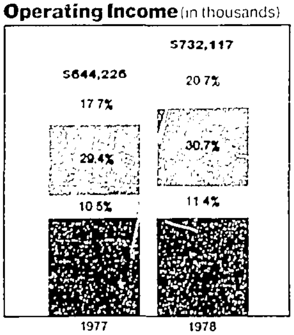
	YEAR ENDED DECEMBER 31,	
	1978	1977*
Net sales:		
United States and Puerto Rico	$2,354,624	$2,068,453
Latin America	341,169	269,540
Europe and Africa	841,936	668,730
Canada and Pacific	800,188	613,112
Total net sales	$4,337,917	$3,619,835
Operating income from geographic areas:		
United States and Puerto Rico	$ 271,950	$ 273,292
Latin America	83,743	67,258
Europe and Africa	224,570	189,435
Canada and Pacific	151,854	114,241
Total from geographic areas	732,117	644,226
Other income, net of other deductions	559	4,759
General expenses	(41,280)	(34,085)
Income before income taxes	$ 691,396	$ 614,900
Identifiable assets at year-end:		
United States and Puerto Rico	$1,236,057	$1,090,334
Latin America	244,090	196,325
Europe and Africa	515,344	413,783
Canada and Pacific	333,576	272,945
Total by geographic areas	2,329,067	1,973,387
Corporate assets (principally cash, marketable securities and fixed assets)	253,742	281,103
Total assets at year-end	$2,582,809	$2,254,490

*Restated to include the operations of Presto Products, Incorporated, on a pooling of interests basis.

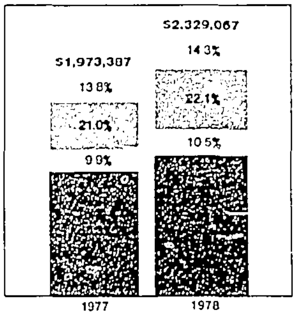
Net Sales (in thousands)



Operating Income (in thousands)



Assets (in thousands)



1977–1978 Data by Geographic Area ■ United States and Puerto Rico □ Latin America □ Europe and Africa □ Canada and Pacific

Board of Directors

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Atlanta, Ga.
Chairman, Board of Directors, and Chief Executive Officer, The Coca-Cola Company

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Retired

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New York, N.Y.
Retired

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Atlanta, Ga.
Retired

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Atlanta, Ga.
Retired

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Atlanta, Ga.
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Lindsey Hopkins
Miami, Fla.
Chairman, Board of Directors, Security Trust Company

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Chattanooga, Tenn.
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President, Phoenix Coca-Cola Bottling Company
President, Denver Coca-Cola Bottling Company

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Honorary Chairman, Board of Directors, Trust Company of Georgia

J. Lucian Smith
Atlanta, Ga.
President and Chief Operating Officer, The Coca-Cola Company

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Columbus, Ga.
Chairman, Board of Directors, Columbus Bank & Trust Co., CB&T Bancshares, Inc. and W.C. Bradley Co.

George W. Woodruff
Atlanta, Ga.
Retired

R. W. Woodruff
Atlanta, Ga.
Chairman, Finance Committee, The Coca-Cola Company

Corporate Officers

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Chairman, Board of Directors, and Chief Executive Officer

J. Lucian Smith
President and Chief Operating Officer

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Roberto C. Goizueta
C. M. Halle
Ira C. Herbert
Donald R. Keough
A. E. Killeen
I. R. Wilson

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Ovid R. Davis
Charles S. Lord

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M. A. Gianturco
Marion B. Glover, Jr.
A. Garth Hamby
J. W. Jones
R. A. Keller
W. M. Kelly, Jr.
W. Glenn Kernel
Earl T. Leonard, Jr.
Dianne McKaig
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Albert H. Swett
H. E. Teasley
J. E. Vielehr
R. V. Waltemeyer

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General Counsel

Charles S. Lord
Chief Financial Officer and Treasurer

J. F. Staresinich
Controller

A. Garth Hamby
Secretary

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Senior Vice President

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Senior Vice President and Manager, North Latin America Division

Stanley J. Clark
Vice President and Manager, South Latin America Division

Brian G. Dyson
Senior Vice President, and President, Coca-Cola USA

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R. Bruce Gilbert
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C. Wadsworth Pratt
L. Ned Roberts
William R. Saltmer
Peter S. Sealey
William Sharp
Roy G. Stout
William W. Van Loan
James F. Williams

Lawrence R. Cowart
Secretary and Treasurer

Leo W. Glynn
Controller

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President

Alwin J. Boller
Senior Vice President

J. Wayne Jones
Senior Vice President and Manager Northern European Division

F. J. Meyer
Senior Vice President and Manager Southern Africa Division

Alexander A. Parissis
Senior Vice President and Manager, Middle Africa Division

Klaus Putter
Senior Vice President and Manager, Central European Division

J. M. S. de Vicuna
Senior Vice President and Manager, Southwest European Division

Felix G. Van de Walle
Senior Vice President and Manager, Balkan/Southwest Asia Division

Anthony Young
Senior Vice President and President, Africa/India

Pacific Group
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President

Peter F. George
Vice President

Charles E. Hulley
Senior Vice President and Manager, Far East Division

Charles Hochman
Senior Vice President and President, Coca-Cola (Japan) Company, Ltd.

Robert Paterson
Senior Vice President and Manager, Australasia Division

Neville W. Kirchmann
Senior Vice President and President and Chief Executive Officer, Coca-Cola Ltd.

Foods Division
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Chairman

Ira C. Herbert
President and Chief Executive Officer

Vice Presidents

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Harold Broadway
Thomas C. Cleveland
Thomas E. Dannemiller
Robert V. Fey
Norman W. Jenkins, Jr.
Frank A. LaGattuta
Matt S. Miller
Albert G. Munkelt
H. Grady Tiller
George W. Truitt
M. C. Wheeler

Roland G. Parker
Treasurer

John N. Touchstone
Secretary and General Counsel

The Wine Spectrum
Albert E. Killeen
Chairman of the Board and President

Joseph L. Swarthout
President and Chief Executive Officer, The Taylor Wine Company, Inc.

Michael P. W. Stone
President, Sterling Vineyards

Harry E. Teasley, Jr.,
Vice Chairman, Gonzales & Co., Inc. (The Monterey Vineyard)

Aqua-Chem/Presto
John K. Collings, Jr.,
Chairman of the Board

Richard J. Kendro
Senior Vice President

Armando B. Steinbruchel
Senior Vice President

Thomas J. Shively
Vice President, Treasurer and Controller

John E. Lynch
President and Chief Executive Officer, Presto Products, Incorporated

Frank H. Heckrodt
Executive Vice President and Chief Operating Officer, Presto Products, Incorporated

Clarence E. Wallace
Vice President of Finance Presto Products, Incorporated

Other Information

The Coca-Cola Company continues its commitment to Equal Employment Opportunity in all of its policies regarding recruitment, hiring, transfers, promotions, compensation, benefits, training, layoff and recall practices. These are administered without regard to race, color, religion, sex, age or national origin. To implement its policy of Equal Employment Opportunity, the Company has developed an Affirmative Action Plan, administered by the Manager of EEO.

The 1978 representation of minority group members in managerial positions in the total workforce of The Coca-Cola Company and its divisions in the United States increased to 17%, compared to 9% in 1977. Minorities currently comprise 10% of the Company's professional workforce, both in business and technical fields. The number of minority employees has continued to grow in all job groups, increasing total minority representation to 31% of The Coca-Cola Company workforce, up 3% from 1977.

The number of women in management increased by 13% during 1978. The primary emphasis, however, was on placing women in those professional and sales positions which are the training ground for future managers. Both the number and the percentage of women in sales nearly doubled.

Women now comprise 27% of The Coca-Cola Company's professional workforce, and also are represented in less traditional fields such as engineering and science. Steady increases also were shown in blue-collar jobs. The advances in 1978 increased the overall female representation to 29% of the total workforce.

Because of the recent and continuing interest in business operations in the Republic of South Africa, the Company has distributed copies of its long-standing operating principles regarding employment practices there to all employees in the Republic of South Africa.

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The following additional information may be obtained by shareholders without charge upon request by writing to the Office of the Secretary, The Coca-Cola Company, P.O. Drawer 1734, Atlanta, Georgia, 30301:

The Summary Plan Description and the Summary Annual Report of the Employees' Retirement Plan of The Coca-Cola Company, as furnished to employees of the Company pursuant to the Employee Retirement Income Security Act of 1974 (ERISA).

Automatic Dividend Reinvestment Plan

An increasing number of the more than 79,000 stockholders of The Coca-Cola Company are participants in the Company's Automatic Dividend Reinvestment Plan. This plan is a convenient and economical way by which stockholders may increase their holdings in The Coca-Cola Company. Under the plan, dividends due participating stockholders are deposited directly with the Trust Company Bank which, as administrator, combines the purchases of all participating stockholders to give each the economies of large-scale purchases. The cost of purchasing The Coca-Cola Company stock through the plan is less than the usual broker commission for small transactions. In addition, a service fee is payable to the administrator for such services.

For more information on the Automatic Dividend Reinvestment Plan, stockholders may write:

Office of the Secretary
The Coca-Cola Company
P.O. Drawer 1734
Atlanta, GA 30301

Annual Meeting

The Coca-Cola Company Annual Meeting of Stockholders will be held May 7, 1979, at 10:00 A.M. at 100 West 10th Street, Wilmington, Delaware. Formal notice of the meeting, together with the proxy statement, will be mailed to each stockholder.

Form 10-K

A copy of the Company's 1978 Annual Report on Form 10-K, filed with the Securities and Exchange Commission, is available to any stockholder of The Coca-Cola Company at no charge upon request. Address requests to the Chief Financial Officer, The Coca-Cola Company, P.O. Drawer 1734, Atlanta, GA 30301.

Dividend Disbursing Agent

Trust Company Bank
Corporate Trust Department
P.O. Box 4625
Atlanta, GA 30302

Transfer Agents/Registrars

Trust Company Bank
Corporate Trust Department
P.O. Box 4625
Atlanta, GA 30302

Morgan Guaranty Trust
Company of New York
Stock Transfer Department
40 West Broadway
New York, NY 10015